812 of utilitarianism and universal love. More precise and systematic in his argument than his predecessors or contemporaries, he and more particularly his later disciples began to work out a methodology of argument that, along with his program for social improvement, endeared him and his followers to revolutionary thinkers of the twentieth century such as Hu Shih.[8]

The antithesis of Confucianism in China was Taoism. It had its beginnings in the time of Confucius, but its greatest exponent was Chuang-tzu, who is supposed to have lived in Anhwei during the last half of the fourth century B.C. The source of Taoism has been attributed both to a note of protest against the rise of the formalistic, aristocratic city civilization which marked the feudal system of the late Chou and to an element of thought prevalent in the Yangtze civilization. Oriented to anarchy and inaction, the Taoist philosophy opposed the rites, ethical system, cultivation of character, and learning of the Confucian school as well as the intellectualism and utilitarianism of Mo Ti and his followers.

1776 D. Sinification of the East China Region
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The East China Region was brought into

8. See for instance Tsi C. Wang, The Youth Movement in China, New York, New Republic, Inc., 1927, pp. 12, 46-47.

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175 both the Ch'in (221 to 206 B.C.) and Han
177 (206 B.C. to A.D. 220) empires. The reaction of the independent Yangtze civilization to the Confucian orthodoxy evolving in the last half of the first century B.C. may be detected in the thinking of Wang Ch'ung, a native of what is [812] today Chekiang. A fatalist influenced by both Confucianism and Taoism, he depreciated the Han Confucianists' emphasis on the importance of man, their belief in natural phenomena as signs of heaven's judgment on human behavior, and their acceptance of the authenticity of ancient historical literature. His arguments were fuel for Confucian revisionists during the remainder of the imperial period and for the anti-Confucianists of the republican era.

At the end of the Han Dynasty, the East China Region with the exception of present-day Shantung was still inhabited by mountain-dwelling Yüeh and valley-dwelling rice cultivators who had not been absorbed into the Chinese civilization. In the post-Han period of disunion, the Wei Kingdom (220 to 264) centered on the Yellow River, and the Wu Kingdom (220 to 280) centered on the Yangtze River undertook active measures to eliminate or absorb these alien groups. Military campaigns were followed by the establishment of colonies of soldiers to construct communication and irrigation waterways

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and farm the land.[9]

Despite the sinification efforts of Wu, Fukien and southern Chekiang were slow in accomodating to Chinese civilization. Encompassed by mountain ranges, the area has always been difficult of access by land, and its narrow river valleys posed problems not easily solved by the agricultural techniques evolved on the broad plains bordering the Yellow, Hwai, and Yangtze rivers. The Yellow River civilization had had practically no influence on the independent political organizations the southern peoples had developed by the third century B.C.,[10] but they succumbed to the Ch'in and Han drives to unify China. After the Han Emperor Wu Ti (140 to 87 B.C.) conquered the area, he is reported to have transplanted great numbers of its people to the Hwai River valley as a means of speeding their integration into the Chinese system.[11]

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9. Harold Wiens, China's March Toward the Tropics, Hamden, Conn. Shoe String Press, 1954, p. 140; Chi Ch'ao-ting, Key Economic Areas in Chinese History, London, George Allen and Unwin, 1936. pp. 98-104.

10. Wiens, op. cit., p. 8.

11. Latourette, op. cit., pp. 111-12.

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177 However, the development in Fukien of water-control projects -- a mark of Chinese traditional civilization -- began only under the Western and Eastern Chin dynasties (265 to 420). It remained minor until the Sui Dynasty (581 to 618), became large-scale only with the T'ang Dynasty (618 to 906), and reached the highest stage of expansion under the Sung Dynasty (960 to 1279).[12]

E. The Yangtze Basin as a Key Economic Area

The beginning of large-scale construction of water-control works in Fukien was accompanied by an increase of this type of activity in Chekiang and Kiangsu. The impetus was provided by the mass immigration of Han-Chinese fleeing from nomad invasion, drought, and famine above the Yellow River at the end of the third century and the beginning of the fourth century.[13] The establishment of the Eastern Chin Dynasty (317 to 420), with its capital near present-day Nanking, facilitated Han-Chinese dominance in the area and encouraged its agricultural development.

By the time of the Sui Dynasty (581 to 618), the Yangtze delta area of East China achieved

12. Chi, op. cit., pp. 40-45, 130-31, and table, p. 36.

13. Wiens, op. cit., pp. 176-79; Eberhard, op. cit., pp. 125-162.

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175 an economic and agricultural development equal
177 to that of the Yellow River area. However, the political center of the unified empire under the Sui and T'ang (618 to 906) dynasties remained at Ch'ang-an. To link the Yangtze economic base with the capital, the Sui Dynasty constructed a number of canals that joined together older canals and rivers to create a fairly direct water route from Ch'ang-an (present-day Sian) to Hangchow via Kaifeng, Huai-an and Yang-chou. Other construction projects linked Ch'ang-an with Peking, providing a continuous though circuitous water route from Peking to Hangchow. This series of projects, resulting in the first Grand Canal, entailed the labor and misery of millions of drafted, unwilling workers.[14]

Serving as a military and tax-grain transport system tapping the wealth of the Yangtze Valley, the waterway stimulated the further rapid development of agriculture in Chekiang, Kiangsu, and Anhwei. At the beginning of the eighth century, it was estimated that these three provinces and Kiangsi in the Central-South Region were supplying nine-tenths of the total land tax of the T'ang Empire.[15]

Under the alien Yüan Dynasty (1260 to 1368), the section of the old canal from

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14. Ghi, op. cit., pp. 98-129.
15. Ibid., p. 125.

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Hangchow to Huai-an was restored and a new series of canals were constructed through western Shantung to provide a more direct route from the heart of the key economic area to the Mongol capital at Peking.[16] Although free from the risks and losses of ocean transport and less vulnerable to pirate raids along the coast, the inland waterway was increasingly costly to maintain and operate. Technical problems and innovations and the mismanagement of a corrupt bureaucracy brought the usefulness of the canal to an end at the beginning of the twentieth century.[17]

F. Division in the East China Region

Although it was the key economic area of the T'ang Empire, the Yangtze delta region was still divided on geographical and historical lines. Its physical and cultural homogeneity was advanced under the Sung Dynasty by improved communications and the influx of a cultured elite when the conquest of North China by the Juchen Tartars forced the Sung court to move its capital from Kaifeng to Hangchow in 1127. By the end of the dynasty (1279), the lower Yangtze

16. Ibid., pp. 139-41.

17. See Hu Ch'ang-tu, "The Yellow River Administration in the Ch'ing Dynasty," The Far Eastern Quarterly, Aug. 1955, pp. 505-13.

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region had reached a stage of economic and cultural development and unity that was not substantially altered until the intrusion of the Western powers after 1842.[18]

While the Yangtze delta area was being developed and unified, Anhwei and Kiangsu above the Hwai River and all of Shantung were surrendered to the Juchen Tartars. Initial attempts under the Sung general Yo (Yüeh) Fei to regain the territories lost in 1127 were thwarted when his execution was engineered in 1141 by a pacifist faction under the chief minister at court, Ch'in Kuei (Kuai). A peace treaty was then negotiated with the Tartars whereby the Sung was obliged to cede its former possessions above the Hwai River and pay a yearly tribute to the alien power. Through subsequent centuries up to the present day, the story of the hero-patriot Yo (Yüeh) Fei and the base traitor Ch'in Kuei (Kuai) has been made widely known throughout China by historical fiction and drama.

This division of the East China Region from 1127 to 1279 was a repetition of what had occurred during most of the fourth, fifth, and tenth centuries. While the North was subject to alien rule by various nomad tribes originally from the north and west of China, Chinese culture

18. Chi, op. cit., p. 133.

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was making some of its greatest advances in the South.[19] Differences in dress, spoken language, and habits of daily life grew out of this division. Also, the consciousness within North and South of their separate identities was reinforced and has never been completely eradicated.

However, these differences should not be too much stressed. A sufficient number of the families stayed in the North to fill most of the administrative jobs under the alien dynasties and instill Chinese values and forms of organization in the conquerors.[20] Moreover,

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19. The best accounts of the nomadic conquest and rule of North China are: Eberhard, op. cit., pp. 110-77, 207-39; Wolfram Eberhard, Conquerors and Rulers,, Leiden, E. J. Brill, 1952, pp. 64-120; and Karl Wittfogel, Feng Chia-sheng, et al, History of Chinese Society: Liao (907-1125), issued as Transactions of the American Philosophical Society, n.s. 36, 1946, Philadelphia, The American Philosophical Society, 1949.

20. Eberhard, A History of China, pp. 178-79, makes much of the differences that grew up between North and South during the first period of division. In his Conquerors and Rulers, pp. 65-121, however, Eberhard demonstrates the persistence of the Chinese cultural and political administration in the North under alien rule. Needham, op. cit.,p. 119, minimizes the differences that grew out of the period of division.

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since the Mongol conquest of China in 1279, the country had been almost continuously united until the middle of the nineteenth century, when the Taiping Rebellion opened the way for an upsurge of provincial autonomy.

G. The Seaward Orientation of Fukien

Handicapped by a mountainous terrain that increased the normal difficulties of farming and limited communication by land with the rest of China, Fukien tended to breed a highly individualistic and truculent people, strongly drawn toward the sea. They resisted the intrusion into the province of the imperial power and put their seamanship to whatever use promised the most advantage to themselves. Many coastal people emigrated to the South Seas and Southeast Asia, but the majority stayed home to engage in fishing, foreign and domestic trade, and fighting on the sea.

From the time of the T'ang Dynasty, and especially during the Sung Dynasty, what is today the port of Ch'üan-chou was one of the Chinese Empire's principal foreign trade centers.[21] During and after the time of the Sung, natives of Fukien contributed a high proportion of the sailors in China's merchant

21. Latourette, op. cit., pp. 205, 250.

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812 constituted a major element of concern in the ideas of subsequent thinkers. The strain is apparent in the political ideas of such modern figures as Sun Yat-sen and Chiang Kai-shek and in the pre-Communist and Communist writings of Fung (Feng) Yu-lan, one of modern China's leading philosophers.[27]

III. THE MODERN PERIOD

A. The Invasion of the West

Toward the middle of the nineteenth century, the East China Region was subject to the intrusion of western military, material, and economic forces. They carried with them new secular and religious ideas incompatible with the traditional cosmological, social, political, and economic views of China. These forces for change coincided with a phenomenon which had been repeated many times over the centuries in China -- the decline of the ruling dynasty with an accompanying abuse of power and growth of disorder.[28]

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27. See David S. Nivison, "The Problem of 'Knowledge' and 'Action' in Chinese Thought since Wang Yang-ming," Studies in Chinese Thought, Arthur F. Wright, ed., Chicago University of Chicago Press, 1953, pp. 112-45. Also see Nivison's Communist Ethics and Chinese Tradition, Cambridge, Mass., Mass., Institute of Technology, 1954.

28. [see the following page]

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177 Although it was in the lower Yangtze River area that Western material and ideological forces made their deepest and widest penetration in China after 1852, the educated elite and imperial officials from the provinces of the East China Region by and large remained committed to the old tradition and the ruling dynasty. Those men who saw the need for adopting the technical knowledge and advances of the West to preserve China and the throne rejected fundamental changes in the traditional political, economic, and social system that would have permitted China to establish the necessary basis for supporting and managing a technical civilization.

Only as the Western penetration became more pronounced and the old system was challenged from outside the East China Region did it produce a new kind of leadership that was

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28. The course and affect of Imperial China's interaction with the West are described from different points of view in H. B. Morse, The International Relations of the Chinese Empire, 3 Vols., London, Longman, Green, and Co., 1910, 1913, 1918; and John K. Fairbank and Teng Ssu-yü, China's Response to the West: A Documentary Survey, 1839-1923, Cambridge, Mass., Harvard University Press, 1954. Unless otherwise noted, the following material is taken from these sources.

177 instrumental in shaping the destinies of modern China. Nanking, first capital of the Republic and seat of the Nationalist Government, was the measure of this new leadership and the penetration of western political and social ideas. The growth of a new Chinese middle class and professional influence in the twentieth century was most directly attributable to Shanghai and vicinity, where Western economic dominance was more overtly apparent than elsewhere in China. Neither Shantung, which had been closely identified with traditional Chinese civilization, nor Fukien, which had been slow in accommodating to Chinese civilization and tended toward isolation, contributed significantly to the leadership of the new forces in China. But Shantung symbolized China's humiliation by the force of Western arms and provided the spark of Chinese nationalism, while the rugged terrain of Fukien provided a refuge from the Kuomintang for the Communist Party between 1927 and 1934 while it worked out the technique of rural revolution and guerrilla warfare.

186 B. Lin Tse-hsü and Li Hung-chang

The initial reaction of the scholar class to the western intrusion in China was typified by Lin Tse-hsü (1785-1850), a native of Fukien. Commissioned by the Chinese emperor to stamp out the importation of opium at Canton in 1839, Lin adopted an uncompromising

C. Shanghai

• 177 The series of treaties at Nanking following the British victory of 18 42 ended Canton's monopoly on foreign trade by opening four more ports to Western commerce. They were Amoy and Foochow in Fukien, Ningpo in Chekiang, and Shanghai in Kiangsu. In the newly opened Fukien trade centers, as in Canton, the foreigners' right of residence was disputed and their persons subjected to insult and violence.

No such resistence was encountered at Shanghai. Within a few years, the port at the entrance to the Yangtze became the center of foreign trade, population, and business activity in China. Foreign demands for services and opening of new sources of wealth quickly drew Chinese businessmen and laborers within the city's expanding boundaries. The Chinese population of the city was further swelled by refugees seeking shelter from the Taiping Rebels when they swept north to capture Nanking and overrun most of China. Western military forces in Shanghai staved off Taiping attempts to take the city in 1860, and Western adventurers like the Americans Frederick Townsend Ward and Henry Burgevine and the Englishman Charles "Chinese" Gordon successively led a body of Chinese troops known as "The Ever-Victorious Army" that helped the Hunan and Anhwei armies of Tseng Kuo-fan and Li Hung-chang drive out the rebels from the East

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177 China Region by 1864.

The effect of the period of disruption of imperial control over the provinces of the East China Region was to establish foreign jurisdiction over the richest part of Shanghai -- the Western residential and business district known as the International Settlement. When the rebellion had been put down, foreign business and political dominance over this predominately Chinese area was so firmly rooted that it was not relinquished until World War II. The Chinese only slowly gained a place, and then only a minority representation, on the municipal council that governed the International Settlement. At the same time, that part of the city became a haven for Chinese persons and publications out of sympathy with the constituted Chinese regime.

The foreign-dominated International Settlement was to the Chinese a symbol both of all they admired and all they hated in the Westerners' presence in China. Through foreign secular and religious largesse, a part of the city's population experienced the advantages that modern educational and health facilities afford. The wealth, comforts, and goods produced by Western business and industry made explicit the fruits that China might expect from her own modernization

•177 and industrialization. Western ideas and material strength intrigued Chinese youth and drew those who could afford it to Western educational institutions to learn at first-hand the means to a better life for themselves and their country. In far greater numbers, young Chinese learned these things at second-hand in Japan, considered to be a model for China's own development.

On the other hand, exclusive clubs for foreigners only, vice of every description, extraterritoriality, lack of Chinese tariff autonomy, and foreign political and economic dominance of Chinese territory existed most grossly and openly in Shanghai. These were the characteristics of the West in China which most deeply rankled in the Chinese heart, fostered Nationalist and Communist China's xenophobia, and provided ready ammunition for the current regime in pursuing its anti-imperialistic theme.[31]

D. Hu Shih

The positive effects of the West in China are exemplified by the Western-educated scholar Hu Shih, a native of Anhwei.[32] With

31. The story of Shanghai up through the early years of World War II has been colorfully told largely from an eye-witness point of view in the undocumented work by Finch, op. cit.

32. On Hu Shih, see Fairbank and Teng, op. cit., pp. 251-58.

177 his knowledge and admiration of modern Western civilization, he became as a young man one of the most significant contributors to the reform of Chinese written expression and helped to change the style of modern Chinese literature. As a professor and editor of a journal of opinion in the following decades, he spread the principles of John Dewey's pragmatism the scientific attitude, objective literary criticism, democracy, and material progress. The importance and influence of his work in China may be inferred from the heavy attacks he and his ideas have encountered under the Communist regime.[33]

669 E. The Warlords in the East China Region

One of the negative aspects of the coincidence of the Western invasion of China and the decline of the Manchu Dynasty was the period of warlord rule (1916 to 1928) in the East China Region. Military despots armed with Western

33. See for instance the comments of the American editors of Current Background, Hong Kong, American Consulate General, 315, p. 2, and translation following of Chinese Communist press reports. Also see "The Campaign against Hu Shih, "Ibid., 167. Citations from Current Background, unless specifically attributed to the American editors, as above, refer to literal translations from Communist newspapers and magazines, and should be treated as such.

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535 The Central Experimental Opera Institute at Peking has also been giving
177 instruction in ballet, and there are many aspiring ballerinas. Interest in ballet is unprecedented in China and is clearly influenced by the popularity of ballet in Russia.[27]

535 Activities associated with dancing are organized and directed by the government.
658 There is the All-China Association of Dancers, a subdivision of the All-China Federation of Literary and Art Workers,[28] with headquarters in Peking. Tai Ai-lien, a well-known professional dancer, heads the association. She has dedicated herself to the incorporation of folk life, especially that of the minority peoples, into her dances. Her training, however, is Western.

F. Music

533 Appreciation of Western classical music has been revived in accordance with the principle of "accepting the culture of the world." A municipal symphony orchestra in Peking performs Beethoven as well as Tschaikowsky and is intended to set an example for musical

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27. Ibid., May 1954.

38. The All-China Federation of Literary and Art Circles was changed to the All-China Federation of Literary and Art Workers in September 1953.

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ONE

Introductory

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This is the study of an anomaly. A city of four million people grew up in the short space of a hundred years out of the traditional agrarian economy of China, before the building of a modern railway network, before the development of a single national market, and before other Chinese commercial cities of metropolitan size had appeared. The city of Shanghai, born out of Western commercial enterprise and organized in its economic life largely along Western lines, was in effect superimposed on a peasant civilization. On this agrarian base, it erected first a trade which reached to all parts of the globe, and subsequently a manufacturing complex which put it among the leading urban industrial centers of the world.

In both respects, Shanghai has been the center of a vortex of economic change spreading from the city to engulf the rest of China, a process which is still in its early stages. Toward the close of the first century since its opening to foreign trade in 1843, Shanghai accounted for half of China's foreign trade and half of its mechanized factories. The city's four million people formed one of the first five or six metropolitan groupings in the world, and Shanghai was well over twice the size of each of its nearest urban rivals in China, Peking and Tientsin.

The rise of other great cities has in the main depended on either or both of two factors: the concentration of the administrative functions of a large empire or political unit in a single pre-eminent center (Rome, London, Peking); and the concentration of trade from and manufacturing for a highly integrated and commercialized economy in an outstanding urban location (New York, Rotterdam, Osaka), based on the existence of low-cost volume carriers. Shanghai has never performed any administrative functions beyond its own metro-

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361 politan limits, and the Chinese economy on which its trade is based
177 remains far from integrated or commercialized, while railways are still perhaps China's most notable lack.

361 But Shanghai lies near the seaward face of the Yangtze delta,
439 where the extensive water routes of a great river system are gathered
177 into a knot, and where the coast of China extends farthest into the open sea. Goods which different local areas produced and for which foreign traders found overseas markets could thus move out for export through Shanghai, and foreign goods entering China in return could be distributed over a wide area from the city. Shanghai thereby became the commercial center for virtually all of the Yangtze basin, which includes the most populous and productive half of China. Not only did trade flow through the city, but Shanghai also became one of the world's leading financial centers. Its banks financed the Chinese government as well as the economic life of the city and of its commercial hinterland of half of China and all the Chinese ports. They controlled "at a very conservative estimate 90 per cent of the imports and exports between China and foreign countries."[1] As manufacturing developed in the city during the twentieth century, aided by the accumulation there of foreign and Chinese capital earned in trade, it was able to compete successfully with other manufacturing centers, despite the local absence of most industrial raw materials, because of the ease and cheapness of water transport for the materials of manufacturing brought from more distant places. Finally, Shanghai's four million people could be fed largely from rice produced in the fertile Yangtze delta.

361 Perhaps the most remarkable aspect of the city is simply its size.
162 Dense populations have long been associated with deltas, and in
177 southeast Asia nearly all of the notable population concentrations are on fertile deltaic soils where ample water is available for the irrigation of paddy rice. Each of the major deltas in southeast Asia also supports the largest or second largest city in its political unit (Hanoi, Saigon, Bankok, Rangoon, and Calcutta). But none of these cities approaches Shanghai in size; Calcutta, the largest, has a population of only about two and a half millions.

361 Two outstanding locational factors distinguish Shanghai from
439 other delta cities in the lower and lower-middle latitudes: its central

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361 position on the coast of east Asia, and the great extent of its trade
439 hinterland. With a similar delta agrarian setting for all of these
177 cities, Shanghai is nearly twice as large as any of them because the trade of half, and that half the richer one, of the most populous political unit in the world is funneled through the city by the pattern of inland waterways and sea routes which focuses on it. In the pre-industrial economy of China, water transport is by far the most important volume carrier. While China remained agrarian, the stimulation of its external trade by foreign commercial enterprise produced an interregional flow of goods which moved largely through Shanghai. This situation continued to implement the physical advantages of the city's location to make it the major point of contact between China and the West.

369 Modern Chinese banking and finance, manufacturing, and com-
179 mercial organization (and the new class of Chinese associated with them and divorced from traditional China) all got their start there, are still largely concentrated there, and for the last hundred years have spread out from there as from the center of a whirlpool. Of the whole process of Westernization in China, only railways came relatively late to Shanghai, a logical exception in view of the abundance of good water transport. Otherwise the city rapidly became, within the first decade of its opening to foreign trade, a physical and economic replica of the nineteenth-century Europe which had built it, and in time of the twentieth-century America which was also a prominent contributor.

Shanghai and the pattern of its development during the past century have been modern China in microcosm. In the city China for the first time learned and absorbed the lessons of extraterritoriality, gun-boat diplomacy, foreign "concessions," and the aggressive spirit of nineteenth century Europe. There more than anywhere else the two civilizations came together: the rational, legal-minded, scientific, industrialized, efficient, expansionist West, and traditional, intuitive, humanist, agrarian, inefficient, seclusionist China. The sequel, and China's response, began primarily at Shanghai, and there modern China was born.

China's economic revolution, as fully as Chinese nationalism, struck its first modern roots beside the Whangpoo, and these two

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have between them made the contemporary picture. Economically, the institutions, and still more the attitude and standard of values, which had grown up in the West with the end of the Middle Ages and reached a full flowering in the nineteenth century, were transplanted to Shanghai. As the city grew on this heady but nourishing diet, its growth set widening patterns of change in motion throughout the country. In the economic structure which developed at Shanghai, in the problems which economic development had to overcome, in the compromises and hybrid growths which arose, in the final maturing of a modern commercial, financial, and industrial metropolis, the city provides a key to what has since happened and is still to happen in China.

The events of the post-war years have thrown into relief the economic and political changes which have long been under way in China, but which have only recently made themselves violently apparent. Communism is merely the present vehicle, not the creator, of the revolution which has carried it to success. As a leading agent in modern China's revolution, Shanghai may claim a larger share than Moscow in the current product. War, civil war, and Communist victory have also ended the history of foreign Shanghai. The hundred years of its existence being ended, a larger perspective tends to emphasize the things about the city's development which seem most important in the light of what has followed. Hindsight would pick out evidences of Shanghai's role in stimulating Chinese nationalism and economic change, in teaching China the lessons of Western business, science, and industry, and in providing a sample of what these lessons might accomplish.

Nineteenth-century Europe was at its best in the pulpit or on the rostrum, especially when talking of its own accomplishments, and Shanghai belonged to it. A jubilee was held in the city on the fiftieth anniversary of the founding of the foreign settlements, in 1893, and the major address of the day was delivered in the park on the Bund by the Rev. Muirhead, a British missionary. His words are symptomatic of the West's attitude to the East and of Shanghai's characteristic part in it, and also perhaps enlightening toward an understanding of China's response.

6 INTRODUCTORY

369 177 Shanghai is the centre of our higher civilization and Christian influence for all of China. We are here in the midst of a people proud and prejudiced in favour of their ancient line of things, and what have we introduced amongst them, for their benefit as well as our own? We might well point to the English homes we have formed here. . . How different is this from what we know to be characteristic of Chinese homes? In front also we have these beautiful *hongs* (trading firms) for the transaction of business, and we may especially remark the Supreme Court, distinguished by the just and equitable conduct of legal matters, in striking contrast to what is represented to us as existing in other places. In short, look at the *tout ensemble* of the Settlement — houses and streets lit with gas and electricity, streams of pellucid water flowing in all directions, and sanitary arrangements according to the best medical advice. We have steamers, telegraphs, and telephones in communication with all the world; there are cotton and paper mills and silk filatures of Foreign invention, and last but not least, railways in the north as pioneers of what will yet be found all over China. Law and order are admirably preserved in the midst of 200,000 people at the instance of our own judicial and municipal authorities. . .[2]

369 441 454 177 In the same year, the (British) Commissioner of Customs at Shanghai wrote a trade report for a jubilee volume published by the *Shanghai Mercury* in which he also emphasized the prominence of Shanghai, but in which he expressed rather different views on other matters. The two sets of remarks are interesting to compare when viewed from sixty years later:

> Chinese merchants are inclined more and more each year to make Shanghai an emporium for the trade of north China and to use the northern coast and river ports simply as landing places for such goods as may be necessary to supply the immediate needs of their districts. The largest native mercantile houses in China are all represented here. . . Chinese capital is being largely invested, not only in . . . purely native establishments . . . but also in companies established by foreigners and under foreign directorate . . . at least 40 per cent of the shares of some foreign companies are held by Chinese . . . (as well as) a considerable portion of deposits in local banks. . . Chinese capital is invested in foreign-flagged steamers, and of course a large amount is sunk in the shares of the China Merchants Steam Navigation Company. . . Having said so much, it should not surprise anyone if I express the opinion that probably in future Shanghai will furnish no such favourable opportunities

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for the investment of foreign capital as it has done in the past. . . To sum up, I think the future of Shanghai depends on China and the Chinese and their interests and that foreigners would be wise to run with them.[3]

The Commissioner and the missionary were in effect saying the same thing, although in different ways — that the most important thing about Shanghai was its relation to China; and that the city contained the seeds of great change for the entire country.

While it lasted, foreign Shanghai was an exciting and colorful place which travel folders could not exaggerate. It was for instance justly famous as one of the wickedest cities in the world, and we have the testimony of a duke for that as early as 1869. Following his visit to Shanghai, the Duke of Somerset referred to it in the House of Lords in that year as "a sink of iniquity."[4] His words pained especially the missionary residents of the city, and the Chamber of Commerce considered a formal reply through the foreign secretary, but matters never proceeded beyond the local press. The difficulty was that His Grace was right, and the city's own archives proved it. At the Landrenters' meeting in 1864, Sir Harry Parkes, then British consul at Shanghai, stated that of a total of 10,000 Chinese houses in the International and French Settlements, 668 were brothels, "while opium and gambling houses were beyond counting."[5] Seventy years later in 1934, a local Chinese newspaper estimated that Shanghai led the world's cities in prostitution as a specialty: in London, one person in 960 was a prostitute, in Berlin one in 580, in Paris one in 481, in Chicago one in 430, in Tokyo one in 250, and in Shanghai, one in 130.[6] It was indeed a major commercial enterprise in the city, and the fact that so many people earned their livings thereby stymied all attempts to eradicate or mitigate it. A special commission appointed in 1919 to investigate vice in the city recommended that all brothels be removed in five years, hoping that during that time other means of livelihood might be found. Licenses were issued in 1920 with the understanding that all licenses were to be withdrawn in 1925. But the plan was abandoned before the end of the five-year period as a complete failure. An earlier reform attempt also ended in failure when the first American judge of the United States Court for China arrived in

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ments, and extradition was possible only with the approval of the Shanghai Municipal Council (or the French Municipal Council for the French Settlement), which was not often granted. Police expenses accounted for 40 to 50 per cent of the annual budget of the Shanghai Municipal Council from 1855 to 1941, but even this remarkably heavy allotment did not achieve a rule of law and morality.

Shanghai was a place where two civilizations met and where neither prevailed. To the foreigners, it was out of bounds, beyond the knowledge or supervision of their own culture, where each man was a law unto himself, or where he easily adjusted to the prevailing *mores* with no qualms of conscience. Morality was irrelevant or meaningless in Shanghai, an atmosphere which was apparent to even the casual visitor. The fact that Shanghai was also a major port of call and naval station helped to prosper this attitude; sailors often formed a majority of the foreign population.* For the Chinese, Shanghai was equally off limits. Those who had chosen this new kind of life, like the merchants, were by that choice cut off from traditional China and from the sanctions which it imposed. Others who drifted to the city during famines or civil wars, or were kidnapped from the country as domestic servants, had by definition lost their family connections, which in traditional China was total physical and moral destitution. Small wonder that many of them turned to prostitution.

On top of this was the continually fluctuating population. Few people, Chinese or foreign, came to the city with the hope of remaining there long; most of them aimed to make a fortune in a few years and then to leave. Many of them did remain, but so did the frenzied atmosphere. The international, intercultural nature of the city added to its excitement. Foreign hotels found it necessary to advertise their ability to speak with patrons in English, French, German, and Russian as a minimum. Concerned missionaries and visiting judges contended with this tempting and stimulating situation in vain. It remained for the Communist administration of the city after 1949 to substitute their familiar order of austerity and

* The city gave its name to the practice of kidnapping men to work ships whose crews had found Shanghai's attractions too great. Both foreigners and Chinese were "Shanghaied" by roving gangs, often in search of coolie labor for East or West Indian plantations as well as of crews.

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633 441 seen how the surrender of special privileges in China by all of the nations having treaty relations with China (completed by 1944), and the full sovereignty of the national government of China over the whole of Shanghai will affect the economic development of the city.

Jealous of their threatened treaty rights, which undoubtedly gave them as foreigners an advantage in business and investments over the Chinese, the foreign business community of Shanghai overstated the importance of the political factor in the rise of the city, especially by implying that the special status of the Settlements and their foreign residents worked equally to the interests of Chinese and foreigners. Primarily, they failed to evaluate correctly the locational factors which, once the Yangtze basin was opened to foreign trade by treaty agreements, played the predominant role in the growth of modern Shanghai. A city of this order of magnitude and volume of trade could not have and did not develop anywhere else in China, and this condition was in large part responsible for the mushroom growth of Shanghai as the one dominant commercial center for most of the country.

The security provided by foreign control was an important stimulus to economic development at a critical time, during the early years of the foreign settlements when capital began to concentrate there. In this respect it had the effect of a protective tariff for the infant Western-type economy born into a strange land. Once this economy had matured and acquired its own momentum (based increasingly on Chinese participation according to Western economic methods), the tariff was characteristically retained although it was no longer necessary to the healthy functioning of the economy and now operated merely to protect special sectors (in this case the foreign businessmen), which could continue to operate on a non-competitive basis. It is not necessary to deny that removal of the tariff would cripple "special interests" to maintain that the net effect of removal on the overall functioning and prosperity of the economy would be slight.

633 441 177 A new group of Chinese businessmen had learned Western commercial methods from their intercourse with foreigners in the treaty ports. Shanghai was the leading school, and by the turn of

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the century, foreigners in business there were in general limited to the heads of firms and their executive assistants. Chinese were responsible in the foreign firms for the bulk of buying and selling and for the essential groundwork of financing in addition to maintaining their own trading firms. Private Chinese entrepreneurs took a prominent part in the growth of industry in the city after 1895, and modern Chinese banks modeled on Western methods rivaled the foreign banks after 1920 as the leading Shanghai financial institutions. Strong foreign, especially Japanese, competition, profiting from treaty advantages, was more responsible than Chinese lack of experience or ability for the fact that the Chinese did not dominate the originally foreign economic life of the city more completely than they did. Chinese capital for investment was a problem, but it was increasingly being produced by Shanghai's own economy, and capital could be borrowed abroad without requiring foreign control over its investment.

It could be argued that while Chinese methods in business and industry were in many cases different from those of the West, they were better adjusted to the particular conditions of the Chinese economy and society and if given free competitive opportunity would be at least equally successful.* In any case, it could not be assumed that if left in sole control of the complex economy of Shanghai which they had helped to build, the Chinese would allow it to run down to any significant extent. Conscious planning to relocate industry is another matter.

The prolonged controversy leading up to Justice Feetham's investigations included a special number of the *China Weekly Review* in 1926 devoted to "Greater Shanghai" in which the following argument for rendition appeared: "Shanghai would have been a great city had there never been a foreigner in the place. It would continue to be a great city even if the foreigners should vacate their modern buildings and go home."[8] While the first sentence is an overstatement of the case, the second sentence is undoubtedly accurate.

* Carl Crow, *Four Hundred Million Customers* (1937), and *Foreign Devils in the Flowery Kingdom* (1940), an American businessman of nearly thirty years' experience in Shanghai, tends to take this view.

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231 "China" silk area for foreign trade was marketed in Shanghai, through both Chinese and foreign trading firms, who sold it for
288 export. Steam filatures for the reeling and spinning of silk had largely replaced domestic reeling and spinning by 1920, but this did not affect the concentration of silk marketing in Shanghai, since the reeling centers remained tributary to Shanghai and since the silk-reeling industry was also concentrated, in differing degrees at different periods, in the city.

• [177] After the introduction of cotton from India in the Yüan dynasty (1260–1368) and the manufacture of cotton cloth in China on a
231 large scale by the end of the Yüan, this much cheaper fabric largely
439 displaced silk, which previously had been produced in almost every region of China and was universally worn. The quality of the silk also declined. By the end of the eighteenth century only the four major areas listed above were important silk producers, but the great increase in China's foreign trade, especially in tea and silk, which followed the opening of the treaty ports stimulated both the quantity and quality of silk production in these areas, most of all in the chief silk region of the Yangtze delta, where foreign traders were closest on the scene.

231 The leading silk areas within the delta coincide closely with the
505 areas where navigable waterways are most numerous. The upland districts south of Nanking and west of Tai Lake, where waterways are relatively sparse, are largely avoided by silk culture. This is mainly due to the fact that silk culture is a painstaking and time-consuming process which requires prodigious amounts of hand labor. It is therefore heaviest in lowland areas with a dense population, as is the case with nearly all of the silk producing regions of China, but such a location facilitates a virtually exclusive dependence on water transport for marketing the silk. This in turn tends to make Shanghai, as the primate commercial center of the delta, the dominant market for silk exports, since it can draw silk from the producing areas by water transport nearly as easily and cheaply as can inland centers.

Every important cocoon and filature center in the delta has multiple water connections and depends on them for the collection of cocoons and for the marketing of silk. Liu Ta-chün in his study of

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438 taels.[14] Remembering that these records are far from complete and that the actual domestic trade carried in junks and sampans was probably at least 40 per cent larger, we must assume that the domestic trade of Shanghai was in fact between 20 and 30 per cent greater than it is shown in graphs 6 and 8. The proportion of transit trade was correspondingly greater.

177 As the first and the predominant focus of the opening of traditional China to Western commercial exploitation, Shanghai became, by virtue of its location and especially of its water connections, the great transshipment point for the trade of China which Western enterprise stimulated and directed into wider regional and international channels. Even after the growth of manufacturing in the city, at least half of Shanghai's commerce was transit trade. Trade repeated and transmitted the pattern of ideas, for Shanghai was the center and dispersing point of modern China's revolution.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

These principles were the expression of the spirit with which the work was begun and carried through: that Chinese and foreign members of staff were equal partners in a high adventure. There was a real comradeship based on mutual respect for the capacity and the motives of each individual of whatever nationality. The especially fine minds and wise judgment of Chinese colleagues, steadily creating their own work in their own fields, found appreciation among the foreign staff; the generous sharing of experience and the friendship of British, Austrian, Danish and Japanese staff members with their Chinese colleagues was equally welcomed. In short, a comradeship, consciously aimed at and greatly desired in advance in the early years of the Division's life, was achieved.

As members of the staff were sent out to make initial contacts with factory owners in the early years they had one instruction: to make friends. In the absence of powers of entry, with the possibility that they would be refused, nothing could be done unless they could make themselves wanted. To a large extent the staff succeeded. As time went on and contacts widened, the Division staff earned an enviable reputation for knowledge in their field, so that they were welcomed on this account as well as personally. Moreover, the absence of power to enforce court action has some compensations. Staff members knew that on themselves alone and on the vigour they were able to bring to their work depended their success. Unless a factory owner could be convinced of the reasonableness and rightness of the request made, the possibility of obtaining compliance was remote. And, further, the lack of power to hale into a Court meant that it was seldom considered worthwhile by an employer to offer to suborn a member of the staff so as to escape the necessity of carrying out his requirements. The total effect of these factors was to give to the Division staff a satisfactory status in the community and a useful relationship with the majority of Chinese employers.

Foreign employers reacted somewhat differently to the Division's efforts. For the most part physical conditions were considerably better in British, American, German and Japanese plants than in Chinese-owned enterprises. In consequence in the efforts to achieve safety and better hygiene, less had to be done in foreign enterprises. Many western employers had the same attitude to "government